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Report of the Task Force on Statistics of International Trade in Services

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its forty-first session (see E/2010/24, chap. I.B), the Secretary-General has the honour to transmit the report of the inter-agency Task Force on Statistics of International Trade in Services on the implementation of the recommendations contained in the *Manual on Statistics of International Trade in Services 2010*. The Commission is requested to take note of the report.

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Report of the Task Force on Statistics of International Trade in Services

Summary

The present report describes the work carried out by the inter-agency Task Force on Statistics of International Trade in Services to implement the recommendations set out in the *Manual on Statistics of International Trade in Services 2010* and presents the next steps in the implementation programme, including the establishment of a group of national and international experts in this field, which was explicitly created for the purpose of guiding the implementation programme. Reference is also made in the report to the Global Forum on Trade Statistics, during which the need to improve the quality, availability and level of detail of statistics on trade in services was emphasized. The Commission is requested to take note of the report.

I. Introduction

1. The present report of the inter-agency Task Force on Statistics of International Trade in Services summarizes the activities carried out by the Task Force in accordance with the decision taken by the Statistical Commission at its forty-first session in the area of statistics of international trade in services (E/2010/24, chap. I.B, decision 41/104), whereby the Commission:

(a) Adopted the *Manual on Statistics of International Trade in Services 2010*;

(b) Endorsed the implementation programme and urged the Task Force to take note of the following:

(i) The importance of the compilation guidance;

(ii) The significance of trade in services in globalization and links to other frameworks;

(iii) The emphasis on linking the *Manual* to the revised recommendations of the *Balance of Payments and International Investment Position Manual*, the *System of National Accounts, 2008* and the *International Merchandise Trade Statistics: Concepts and Definitions, 2010*;

(c) Urged the Task Force to give particular importance to the following areas:

(i) Foreign affiliates statistics, in particular outward foreign affiliates statistics;

(ii) Tourism statistics and the measurement of the contributions of tourism to national and regional economies;

(iii) Valuation and pricing;

(iv) Research and development;

(d) Urged the Task Force to set a time frame for the implementation plan so that member countries could plan their implementation processes accordingly;

(e) Urged that the national implementation programme be carried out as a coordinated effort of national statistical offices, central banks and other relevant Government agencies;

(f) Encouraged all relevant international agencies and the United Nations regional commissions, especially members of the Task Force, to contribute to the implementation of the *Manual* and recognized the efforts of the International Monetary Fund in capacity-building with regard to balance of payments statistics;

(g) Recognized that training was particularly important in trade in services statistics because of the methodological complexity involved.

2. The progress made by the Task Force since the forty-first session, in 2010, is described in section II below. Section III presents the establishment of an expert group on the compilation of statistics on international trade in services, which was created for the purpose of developing a guide for compilers of such statistics. Section IV presents an overview of the Global Forum on Trade Statistics, during which the participants presented their view on the future of international trade statistics and emphasized the need to improve the quality, availability and level of detail of statistics of international trade in services. Finally, section V summarizes the work accomplished by the Task Force in response to the requests of the Commission.

II. Activities of the Task Force on Statistics of International Trade in Services

3. The composition and the organization of work of the Task Force were described in detail in its report to the Commission at its forty-first session (see E/CN.3/2010/6). That report also contained a full chronology of actions, consultations and reviews by the Task Force for the revision of the *Manual on Statistics of International Trade in Services* from 2005 to the end of 2009 (ibid., annex). Since the adoption of the *Manual* in February 2010, the work of the Task Force consisted initially of finalizing the official publication of the *Manual* and preparing the correspondence tables between the 2010 Extended Balance of Payments Services Classification and related classifications. Subsequently, the implementation of the *Manual* was at the top of its agenda. Another main focus of attention was the harmonization and rationalization of the work of international organizations involved in the collection and dissemination of trade in services statistics.

4. The *Manual* recommends that compilers implement a complete set of data elements that are based on internationally agreed standards and recommendations so as to progressively achieve comparability of published statistics on international trade in services. If the circumstances in the national statistical system so require, the implementation can be effected in two phases. The *Manual* recommends the implementation of four core elements in the first phase, namely: (a) the definition, valuation, classification and recording of services transactions between residents and non-residents in accordance with the sixth edition of the *Balance of Payments Manual*; (b) additional details in those services categories of the 2010 Extended

Balance of Payments Services Classification which are economically important to the compiling country or area; (c) foreign direct investment (FDI) statistics by economic activity; and (d) main variables of foreign affiliates statistics by economic activity. For each of those core elements, the *Manual* recommends the inclusion of partner country breakdowns. For services transactions between residents and non-residents, partner country breakdowns are expected, first, at the level of services trade as a whole, and second, for each of the main services categories and for the additional economically important items in the 2010 Extended Balance of Payments Services Classification. For FDI and foreign affiliates statistics, the aim is to report partner detail both in the aggregate and for the major economic activities. In the second phase, further recommended elements could be implemented, namely, more details of the 2010 Extended Balance of Payments Services Classification, more variables of foreign affiliates statistics, the identification of trade between related and unrelated parties, the value of the international supply of services by mode and statistics on the number of natural persons covered by the General Agreement on Trade in Services mode 4 framework.

5. The initial strategy of the Task Force for the implementation of the *Manual on Statistics of International Trade in Services 2010* was to closely assist in developing the compilation guide for the *Balance of Payments Manual* with respect to the compilation of trade in services statistics, gather good country practices and provide technical assistance in the context of a coordinated capacity-building programme. The Task Force strategy also included the development of additional compilation guidance for the *Manual on Statistics of International Trade in Services 2010* on those issues which were not directly covered in the *Balance of Payments Manual* compilation guide, such as data collection and compilation issues for specific services sectors, including capturing data for partner country breakdowns and checking data consistency, as well as the compilation of foreign affiliates statistics and data on modes of supply.

6. Since February 2010, the Task Force has met four times (March 2010 in Beirut, October 2010 in Paris, March 2011 in Luxembourg and November 2011 in Paris).[1] The first of those meetings was devoted to resolving the remaining, mostly practical, issues of completion of the *Manual*. The other meetings were devoted primarily to the implementation programme, especially the development of compilation guidance. At the March 2011 meeting, the Task Force decided to produce a guide for compilers covering the full scope of the *Manual*, since the joint development of compilation guidance for the balance of payments services components was not feasible. The Task Force asked the Statistics Division to take the lead in the process, which would be supported by an expert group on the compilation of statistics on international trade in services established by the Statistics Division in cooperation with the Task Force. The expert group would consist of all Task Force members (therefore providing necessary guidance to the group on the work to be achieved) and national experts both from developed and developing countries. The guide is expected to be finalized in 2013. Further information on the mandate of the expert group is provided below and in the annex.

7. Although the compilation guidance for the *Balance of Payments Manual* and the one for the *Manual on Statistics of International Trade in Services 2010* are

[1] Minutes of the Task Force meetings can be found at http://unstats.un.org/unsd/tradeserv/TFSITS/meetings-tf.htm.

developed through two separate processes,[2] the Task Force and the International Monetary Fund (IMF), which is a member of the Task Force, are making efforts to cooperate with each other by sharing, as much as possible, information on the progress made and by keeping the contents of the guides aligned as necessary. For instance, IMF reported on the progress made in the development of the *Balance of Payments Manual* compilation guide at the Task Force meeting in November 2011, shared the drafts of the chapter on services and of the annex on insurance services and invited the Task Force to provide comments. The Task Force confirmed that the compilers guide of the *Manual on Statistics of International Trade in Services 2010* would be harmonized with and would refer to the compilation guide of the sixth edition of the *Balance of Payments Manual*.

8. The Task Force is also working towards the harmonization of data on trade in services presented in international databases. This effort was initiated by the World Trade Organization (WTO) in Beirut in March 2010 and is supported by all the agencies of the Task Force. The work on data harmonization has accelerated in recent months and is expected to improve the exchange of information among international organizations and to have a beneficial effect on the quality and consistency of trade in services databases (data and metadata), as well as reduce the reporting burden on countries in their provision of data to international organizations.

9. The Commission recognized in 2010 that training was particularly important in trade in services statistics because of the methodological complexity involved. In that context, the Task Force members have organized or have been involved in training activities on the contents of the *Manual*, as well as on its compilation practices. The Task Force agreed in November 2011 to improve coordination in technical assistance and to make more efficient use of available resources. WTO was requested to coordinate this initiative. It was proposed to: (a) collect information on the capacity-building activities organized by the various international organizations in the field of trade in services and supplement this to the extent possible with information on activities organized by national institutes; (b) gather and maintain information on active and potential consultants in this field; (c) review the training tools that have been developed so far and investigate the possibility of improving or developing new training and capacity-development tools, such as e-learning; (d) maintain a catalogue of proposals for capacity development in trade in services statistics for the purpose of streamlining activities and improving transparency in such proposals for potential users; and (e) regularly update the Task Force on the achievements and results of technical assistance activities and publish relevant information on its web page, which is hosted and maintained by the Statistics Division.

10. At the same meeting, in November 2011, the Task Force discussed the process of developing the compilers guide and confirmed that an expert group on the compilation of statistics of international trade in services should be created to assist in the process and that countries be invited to make experts available. The first

[2] The drafting of the *Balance of Payments Manual* compilation guide is an IMF-led process under the general guidance of the IMF Committee on Balance of Payments Statistics, whereas the drafting of the compilers guide for the *Manual on Statistics of International Trade in Services 2010* is a process led by the Task Force on Statistics of International Trade in Services under the general guidance of the Statistical Commission.

meeting of the expert group will be held in New York from 28 to 30 March 2012, preceded by a one-day meeting of the Task Force. A draft outline of the compilers guide covering all topics was prepared by the Statistics Division and the Organization for Economic Cooperation and Development (OECD) and its main structure was discussed. It was decided that a more detailed annotated outline should be the main topic of discussion and decision at the first meeting of the expert group. Further details on the expert group are provided in section III below.

11. The geographical fragmentation of the production chains and its consequences on the measurement of trade statistics, discussions on which were initiated by WTO at a meeting of the inter-agency Task Force on International Merchandise Trade Statistics in Beirut in 2010 and further developed by the Statistics Division and Eurostat within the context of the Global Forum on Trade Statistics (see section IV), were also discussed at the joint session of the inter-agency Task Forces on International Merchandise Trade Statistics and Statistics of International Trade in Services in March 2011. This and other trade-related globalization issues were addressed in the joint statement of the Statistics Division, Eurostat, WTO, the United Nations Conference on Trade and Development (UNCTAD) and OECD on the future of international trade information systems (also called Vision 2020).[3] This document translates current user needs into a vision for the future development of official trade statistics.

III. Expert group on the compilation of statistics of international trade in services

12. The Commission urged the Task Force to set a time frame for the implementation of the *Manual* so that member countries could plan their implementation processes accordingly. In this context, the Task Force proposes the following actions and timetable with respect to the development of the compilers guide:

(a) In December 2011, the expert group on the compilation of statistics of international trade in services will be established to assist in the process of developing the compilers guide for the *Manual*;

(b) In March 2012, the first meeting of the expert group is scheduled to be held. The main objective of the meeting will be to review the annotated outlines of all chapters of the compilers guide and to propose the scope of the guide and the general content of each of the chapters;

(c) In May 2012, a revised annotated outline of the compilers guide will be finalized by the Task Force on the basis of input received from the expert group and will be circulated for worldwide consultation;

(d) The first set of draft chapters of the compilers guide will be prepared in mid-2012 and will be discussed in a virtual meeting of the expert group in the third quarter of 2012, and a second virtual meeting on further draft chapters will be held early in 2013;

(e) The second face-to-face meeting of the expert group to finalize the compilers guide is tentatively scheduled for June 2013.

[3] See http://unstats.un.org/unsd/trade/s_geneva2011/outcome.htm.

13. As mentioned above, a draft outline of the compilers guide covering all topics is already available. The outline determines the scope and content of the guide and will be — in a slightly more detailed form — the main topic of discussion and decision at the first meeting of the expert group. It is the group's task to review, comment on and give suggestions and country examples for the draft text of the compilers guide. The Task Force will report to the Statistical Commission on the work of the expert group and on the process of developing the guide.

14. The terms of reference of the expert group, which are contained in the annex, state that the Statistics Division will convene the expert group and will be responsible for the organization of its meetings. The Division will also be responsible for monitoring the timely delivery of intermediate materials in order for steady progress in the development of the compilers guide to be achieved. The Task Force will report on the work of the expert group to the Statistical Commission at its forty-fifth session, in 2014. The task of the expert group will be finished with the completion of the guide.

IV. Global Forum on Trade Statistics

15. The Global Forum on Trade Statistics was organized jointly by the Statistics Division and Eurostat, in collaboration with WTO and UNCTAD, and was held from 2 to 4 February 2011 at WTO headquarters in Geneva. It brought together close to 200 participants, including policymakers, economists, trade analysts and many statisticians. The Forum identified policy needs, especially the need for more detailed data on trade in services, and stated the research issues in the area of global value chains and trade in value added, and offered solutions on better linking trade and global business statistics.

16. Heads of offices from WTO and the United Nations, as well as leaders in trade analysis, research and statistics, gave their views on the most prominent and urgent trade issues and their corresponding data needs. From the policy perspective, it was stated that traditional boundaries of countries were disappearing because of the interconnectivity of the global production processes, the concept of country of origin had become questionable in terms of the value added of trade, and the distinction between goods and services was blurred. The main challenge was to measure the fragmentation of the global production processes, including all produced services, which should also cover the impact of trade on employment. The policymakers also pointed out that trade patterns had moved from country specialization in types of goods to intrafirm or network specialization in tasks, with the South greatly expanding production of manufactures. Furthermore, the changing patterns of trade and production had important implications for trade and industrial policies in the broader context of development strategies. Finally, the policymakers considered current statistical data to be deficient for international trade in services in terms of both analysis of such trade and their use by negotiators.

17. From within the statistical community, it was brought up that a better balance between the very detailed and well developed customs-based merchandise trade data and the highly aggregated and less developed trade in services data should be achieved. The challenge was finding a better way of collecting trade in services data. Furthermore, a shift in paradigm was needed to observe the economic activity not only from the perspective of the national territory but also from an international

perspective. Consequently, there was a need to link international trade with other economic statistics and with social, environment or energy statistics. Likewise, it was stated that the development of an integrated data warehouse linking trade with other economic statistics was the right way forward, that national authorities should strive to legalize institutional arrangements on cooperation in trade statistics and that the measurement of quantities, prices and volumes should be improved.

18. The Global Forum concluded with a vision statement[3] in which the participants identified three main areas for improvement:

(a) Relevance of international trade statistics, by connecting trade information and integrating it with its economic, social, environmental and financial dimensions while minimizing the response burden;

(b) Statistical production process, by better defining and organizing the cooperation among national stakeholders;

(c) International classifications and correspondence tables relevant for research on international trade and globalization, such as research on trade in value added, on global value chains and on outsourcing of business functions.

V. Conclusion

19. In response to the requests made by the Commission at its forty-first session, the Task Force brings the following to the attention of the Commission:

(a) The Task Force is developing a compilers guide and expects to finish it by 2013;

(b) The Task Force established an expert group on the compilation of statistics of international trade in services to assist in the development of the compilers guide;

(c) The Task Force and IMF confirmed their cooperation on the development of compilation guidance to keep the implementation of the *Manual* aligned with that of the sixth edition of the *Balance of Payments Manual*;

(d) The Task Forces on International Merchandise Trade Statistics and Statistics of International Trade in Services noted the clear call from the Global Forum on Trade Statistics for more detailed trade in services statistics and for an improved significance of international trade statistics in issues of globalization. This could be achieved in part by linking trade data with other economic and social statistics;

(e) The Task Force initiated better coordination of technical assistance and capacity-building on statistics of international trade in services in developing countries and further development of statistical capacity-building tools;

(f) The Task Force accelerated its work to improve the exchange of data, which will ultimately have a beneficial effect on the quality, harmonization and consistency of trade in services databases (data and metadata) and will reduce the reporting burden on countries in their provision of data to international organizations.

20. The Commission is invited to take note of the present report.

Annex

Terms of reference of the expert group on the compilation of statistics of international trade in services

1. The expert group on the compilation of statistics of international trade in services has been established:

(a) To ensure active country involvement in the development of the compilers guide for the *Manual on Statistics of International Trade in Services 2010*;

(b) To review and endorse the draft compilers guide by 2013;

(c) To provide guidance on promoting the use of the compilers guide for the purpose of implementing the recommendations included in the *Manual* in the national statistical systems.

2. The expert group will be convened by the Statistics Division.

3. The Task Force will report on the work of the expert group to the Statistical Commission at its forty-fifth session, in 2014, including on the process followed in the development of the compilers guide.

4. The task of the expert group will be finished with the completion of the compilers guide by the end of 2013.